ANNUAL
REPORT

YELLOWKNIFE BEAR

MINES LIMITED

FOR THE YEAR ENDED JUNE 30th

1977

Yellowknife Bear Mines Limited

DIRECTORS

HANS H. ESTIN, *Boston, Mass., U.S.A.*
J. H. GRAY, *Oakville, Canada*
LEWIS B. HARDER, *New York, N.Y., U.S.A.*
WILSON E. MCLEAN, Q.C. *Toronto, Canada*
R. G. PRICE, *Calgary, Canada*
W. E. REARDEN, *Toronto, Canada*
J. BRADLEY STREIT, *Toronto, Canada*
J. DOUGLAS STREIT, *Toronto, Canada*
A. E. MACKAY, *Toronto, Canada*

OFFICERS

J. DOUGLAS STREIT, President, *Toronto, Canada*
R. G. PRICE, Vice-President, *Calgary, Canada*
W. E. REARDEN, Secretary-Treasurer, *Toronto, Canada*
T. P. FISCHER, Assistant-Secretary-Treasurer, *Toronto, Canada*

CONSULTING ENGINEER

L. G. PHELAN, M.A.Sc.

TRANSFER AGENTS AND REGISTRARS

GUARANTY TRUST COMPANY OF CANADA
88 University Ave., *Toronto, Ontario M5J 1T6*

GUARANTY TRUST COMPANY OF CANADA
311 - 8th Avenue West, *Calgary, Alberta*

REGISTRAR AND TRANSFER COMPANY
140 Cedar Street, *New York, N.Y., U.S.A. #10006*
15 Exchange Place, *Jersey City, N.J., U.S.A. #07302*

SOLICITORS

MCLEAN, LYONS AND KERR, *Toronto, Ontario*

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE, *Toronto, Ontario*

AUDITORS

JOHNSON, RICKARD & COMPANY, *Toronto, Ontario*

HEAD OFFICE

360 Bay Street, *Toronto, Ontario, Canada M5H 2W3*

YELLOWKNIFE BEAR MINES LIMITED

Report of the Directors

To the Shareholders,
YELLOWKNIFE BEAR MINES LIMITED:

The Directors of Yellowknife Bear Mines Limited are pleased to present the following report to the Shareholders describing the operations of their Company for the year ending June 30, 1977.

FINANCIAL

The Schedule of Marketable Investments and Current Assets, minus Liabilities as of June 30, 1977 amounted to $9,076,823.00.

Earnings per share in 1977 increased substantially over a like period in 1976. With additional gas scheduled for production in late 1977, earnings for 1978 should also show a further substantial improvement.

Dividend payments inaugurated in 1953 have been made by Yellowknife Bear in twenty-three of the last twenty-five years, and without interruption for the past nineteen years.

INDUSTRY REVIEW AND OUTLOOK

During the past four years, Canadian wellhead prices of crude oil have increased from $3.80 per barrel to about $10.75 per barrel, but increased Provincial Royalties and Federal taxes have taken all but about $1.00 per barrel of this increased revenue. As a result, net oil production revenue increase has done little more than cover the cost of inflation. Natural Gas prices in Alberta have increased over the same period from 13.5 cents/M.C.F. to about $1.33/M.C.F. and a further price increase is expected early in 1978. About half this gas price increase has been allowed to flow through to producers. Thus while the economics of wildcatting for oil in Canada are still marginal, the potential for profitable exploration for natural gas, particularly in Alberta and British Columbia, is now excellent. Your Company during the past few years has therefore concentrated on exploration and development of Natural Gas in Canada but has also put some emphasis on oil and gas exploration in the United States, where tax and royalty rates, particularly on oil, are much lower than those in effect in Canada.

EXPLORATION AND DEVELOPMENT

Alberta

During the past year, Yellowknife Bear and its subsidiaries, Midcon Oil & Gas Limited and Inter-Rock Oil Co. of Canada Limited have participated in the drilling of 19 development gas wells at Medicine Hat, Alberta (42.48%), three successful wild-cat gas wells at Parma Creek in N.W. Alberta (15%), one successful oil well and one successful gas well at Murray Lake in Southern Alberta (50%), and one dry hole (50%) at Peigan Creek, Alberta. The Southern Alberta activities of Midcon included in the above are covered in more detail in a later section under Midcon Oil & Gas Limited.

In the Parma Creek area of Northwestern Alberta, Yellowknife Bear and Midcon hold a 15% interest in a 21,441 acre natural gas license on which we drilled three successful shallow natural gas wells last winter. These wells indicate that at least the bulk of this reservation should be gas productive. Further drilling in this area will have to await development of a market for this gas.

Yellowknife Bear has a 10% interest in a Natural Gas License in the Brazeau area of Central Western Alberta on which three excellent Shunda gas wells were drilled in 1976. We have signed a gas sales contract with Trans-Canada Pipelines and have negotiated a gas processing arrangement with the Brazeau unit gas processing plant. These wells will go on stream November 1, 1977 and should yield about $300,000 per year to Yellowknife Bear after royalty and operating costs. (See Map #3)

British Columbia

On April 6, 1977 Yellowknife Bear purchased a 20% interest in 1,722 acres of Crown Lease in the Buick Creek area of N.E. British Columbia at a Crown Lease sale. This semi proven lease block is offset to the west by a producing gas well. We expect to drill at least one and perhaps two wells here next winter when the muskeg in this area is frozen over. Gas pipelines are within a mile of this block and there is an immediate market for this gas.

U.S. Operations

Yellowknife Bear, Chieftain Development, Petrorep and the Pembina Group participated with a large American Group in submitting bids to the U.S. federal Reserve offshore lease sale held in New Orleans on June 23, 1977. The six blocks covering a total of 31,520 acres offshore Texas and Louisiana in the Gulf of Mexico were purchased for a total of $31,866,200.00. Two blocks are located in the Brazos and High Island (south) areas offshore Texas and the other four blocks are located in the West Cameron and Eugene Island areas offshore Louisiana.

The American partners include Natomas (who will operate three parcels), American Natural Gas (the other operator), Santa Fe and Energy Reserves. Pan Canadian also has an interest in one parcel. American Natural Gas is a subsidiary of the Michigan Wisconsin Pipeline Co. It is anticipated drilling on the blocks will commence before year end depending upon availability of jack-up rigs and 6 to 10 exploratory wells will be drilled within the next year. Yellowknife Bear interests vary from approximately 0.6% to 1.0% in these 6 blocks.

Last year our U.S. subsidiary Y.K.B. Inc. agreed to pay 5% of the cost of a 20,000 foot deep wild-cat in eastern Utah to earn a 2½% interest in the well and the 51,000 acre lease block on which the well is located. The well encountered drilling problems and the hole had to be abandoned twice at fairly shallow depths. Yellowknife Bear then agreed to farm out half our interest in the project to J. Hiram Moore in return for their undertaking to pay all costs of the third well which is now drilling at below 13,000 feet. This well is on an excellent seismic feature on the Utah hinge line and if successful, would give us a 1¼% interest in a major discovery.

COLD LAKE

Yellowknife Bear holds a 65% interest in 4320 pooled acres of Oil Sands lease in the Cold Lake area of N.E. Alberta just south of the lease block on which Imperial Oil is now operating a pilot steam injection secondary recovery project producing about 5000 bbls per day of oil. Yellowknife Bear and our 35% partner Norcen have joined by way of cash contribution the Imperial Oil steam injection project to the North of our leases and are now receiving data from this project. (See Map #2)

During the past two years, we have joined with Norcen and Mobil Oil in funding a three dimensional computer study simulation of the Cold Lake reservoir based on the new Imperial Oil data and on our previous pilot projects (from which we produced over 100,000 bbls. of oil).

Average wellhead crude oil prices in Alberta increased July 1, 1977 to $10.75 per barrel and will increase automatically by $1.00 per barrel at six month intervals until they reach $13.75 per barrel on January 1, 1979. At that price, we now believe it would be economic to produce Cold Lake Oil in large quantities provided the Federal and Provincial Governments make tax and royalty concessions to significantly reduce the 70% plus share of wellhead prices they now skim off in taxes and royalties.

The very heavy 11° gravity Cold Lake Oil will have to be upgraded in a large upgrading plant to make it equivalent to light crude oil. Twenty-one oil companies headed by Pacific Petroleums Ltd. have awarded a 2 million dollar contract to Fluor Canada Ltd. for a feasibility study of a 100,000 barrel per day heavy oil upgrading plant to process Eastern Alberta heavy crudes. It appears such a plant will likely be built within the next few years at a cost of about six hundred million dollars.

Our pooled lease block at Cold Lake (65% Yellowknife Bear) contains sufficient reserves of heavy oil to support production of 15,000 bbls. of oil per day for over 20 years. We have on the drawing board a two stage development plan for this property starting with a 2,700 barrel per day, semi pilot to demonstrate economic feasibility to be followed by a 15,000 barrel per day full stage production operation. To justify this

program we need tax and royalty concessions from the Federal and Provincial Governments and assurance of the availability of a heavy oil upgrading plant.

Yellowknife Bear management believe all these conditions will be met within the next few years and when that day arrives we will be ready to develop rapidly at Cold Lake. It does not make economic sense for a country like Canada with a serious international balance of payments deficit, to continue to import large quantities of crude oil from abroad. This oil could be produced in Canada, if governments would reduce the tax and royalty load on Canadian Heavy Oil production.

INVESTMENTS

Midcon Oil & Gas Limited

Yellowknife Bear owns 73.80% of the issued stock of Midcon Oil & Gas Limited.

Midcon owns about 55 billion cubic feet of natural gas reserves in the Medicine Hat and Etzikom districts of South Eastern Alberta and a 50% interest in South Alberta Pipelines Ltd.

Midcon gas reserves are all dedicated to long term (to 1986) low priced gas sales contracts to the City of Medicine Hat and to the Western Co-operative Fertilizer plant at Medicine Hat. Midcon currently receives (including export bonuses) about 39 cents/M.C.F. for gas sold to the City and 44.5 cents/M.C.F. for gas sold to the Western Co-op. This compares to an average Alberta field price for gas exported from the Province of about $1.33 per M.C.F.

Several years ago, the Alberta Provincial Government by withholding permission for additional gas export from the Province forced gas exporters such as Trans-Canada Pipelines to renegotiate all fixed price gas contracts and substantially increase gas prices but no government action was taken on intra-Provincial gas contracts. Midcon is therefore still suffering under low priced gas sales contracts with no price renegotiation clause.

Midcon management is taking all possible steps to attempt to rectify this situation.

Midcon has currently before the Supreme Court of Alberta, an application for an interpretation of its gas contract with the City of Medicine Hat. If successful, Midcon would be in a much better position to renegotiate the contract on more favourable terms.

Midcon has also been attempting to renegotiate the contract price with Western Co-operative Fertilizers Limited, but to date without success. Midcon gas reserves, however, are dedicated only to that particular fertilizer plant which is an old plant, small by today's standards and which manufactures fertilizers not now in great demand. We have reason to believe that even with low priced gas supplies, the plant may be becoming uneconomic.

The gas reserves owned by Midcon are capable of producing gas at a much higher rate than is now the case. Obviously, if Midcon is able to renegotiate its gas contracts to attain average provincial gas prices and then increase the rate of gas production, it could increase Midcon gas production income substantially.

Midcon and its subsidiary Inter-Rock Oil Co. of Canada Limited purchased a 50% interest in two Petroleum Licenses last year adjacent to the South Alberta Pipeline south of Medicine Hat.

On the Murray Lake License Midcon has this year drilled one natural gas discovery well and one new heavy oil discovery well which has just been placed on production. Further follow up oil development drilling will be delayed until some oil production history is obtained from the discovery well. One dry hole was drilled on the Peigan Creek License during the past year.

South Alberta Pipe Lines Ltd.

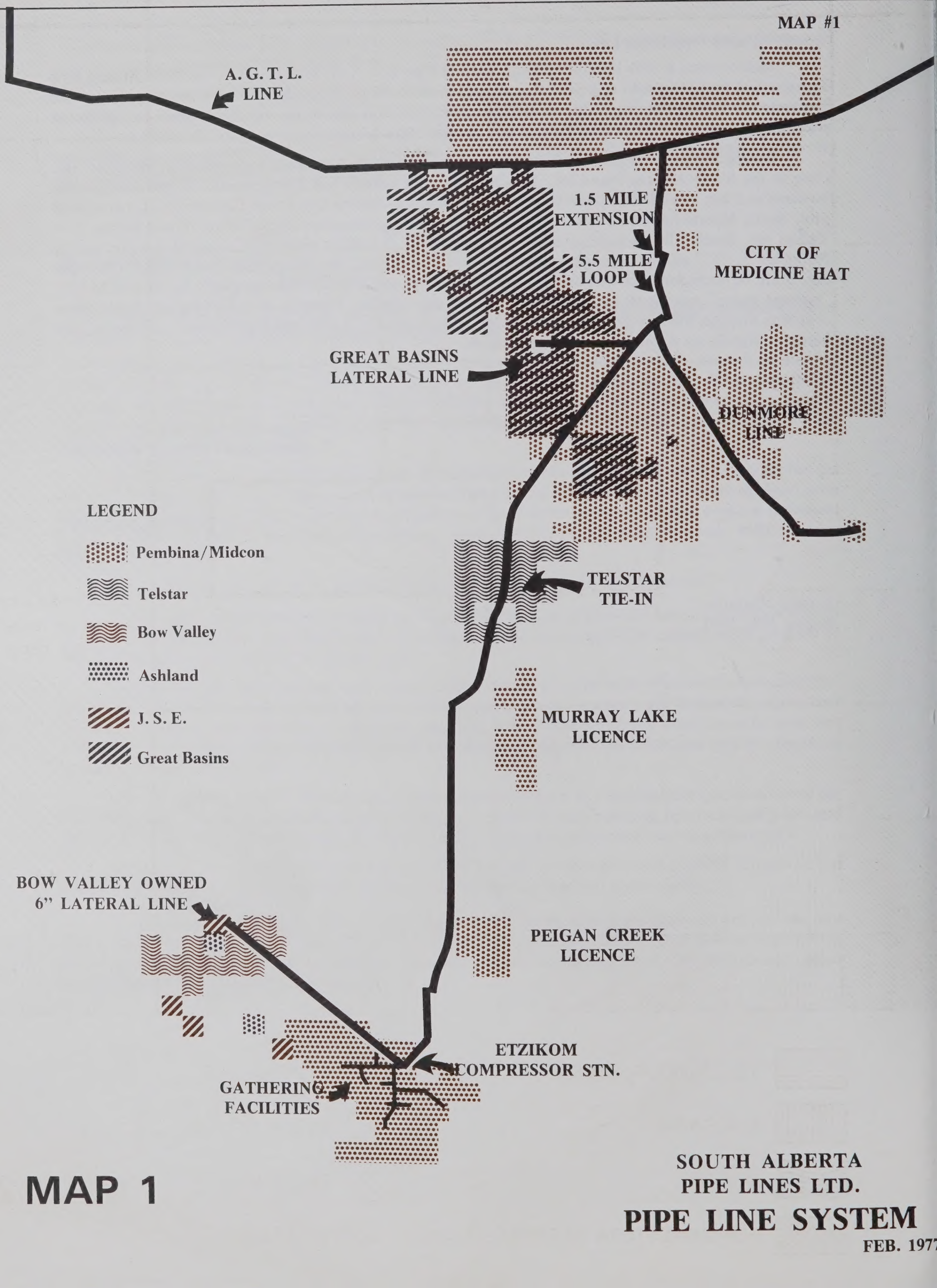
Midcon owns a 50% interest in South Alberta Pipe Lines Ltd. Map #1 shows the South Alberta Pipe Lines system including a 45 mile, ten inch diameter, main transmission line from the now largely depleted Etzikom gas field to the City of Medicine Hat. Until 1976, this system was used exclusively to gather and transmit gas reserves of its owners, Midcon and Pembina Pipe Lines Ltd.

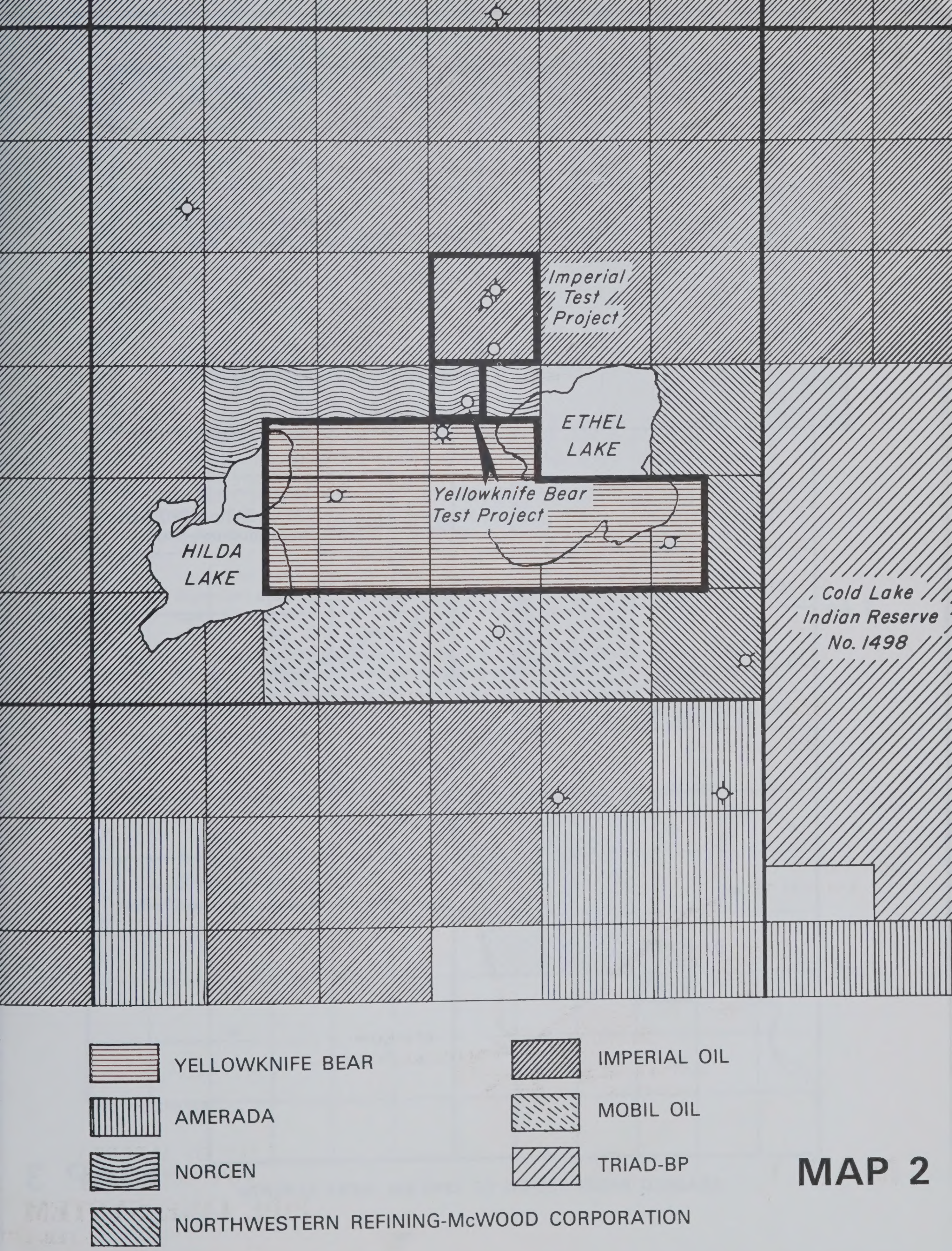
During the past few years, substantial new gas discoveries have been made south of Medicine Hat, close to the South Alberta Pipe Line. As a result, South Alberta has now gone into the gas transmission business and has extended its pipeline north to tie in to the Alberta Gas Truck Line (A.G.T.L.) provincial grid. South Alberta has now contracted to transmit gas for producers such as Telstar, Great Basins, Bow Valley, etc. South Alberta expects to be carrying up to 25 million cubic feet a day of contract gas by November 1, 1977 and by upgrading the pressure rating and adding compression, South Alberta throughout, could be increased to 60 million cubic feet per day. South Alberta is now charging a flat 6 cents/M.C.F. "postage stamp" rate for all gas transmitted through this pipeline. Prospects for additional gas transmission contracts through this line appear good and the 50% interest in South Alberta Pipelines Ltd. should soon become a significant revenue producer for Midcon.

Respectfully submitted,
On behalf of the Board of Directors.

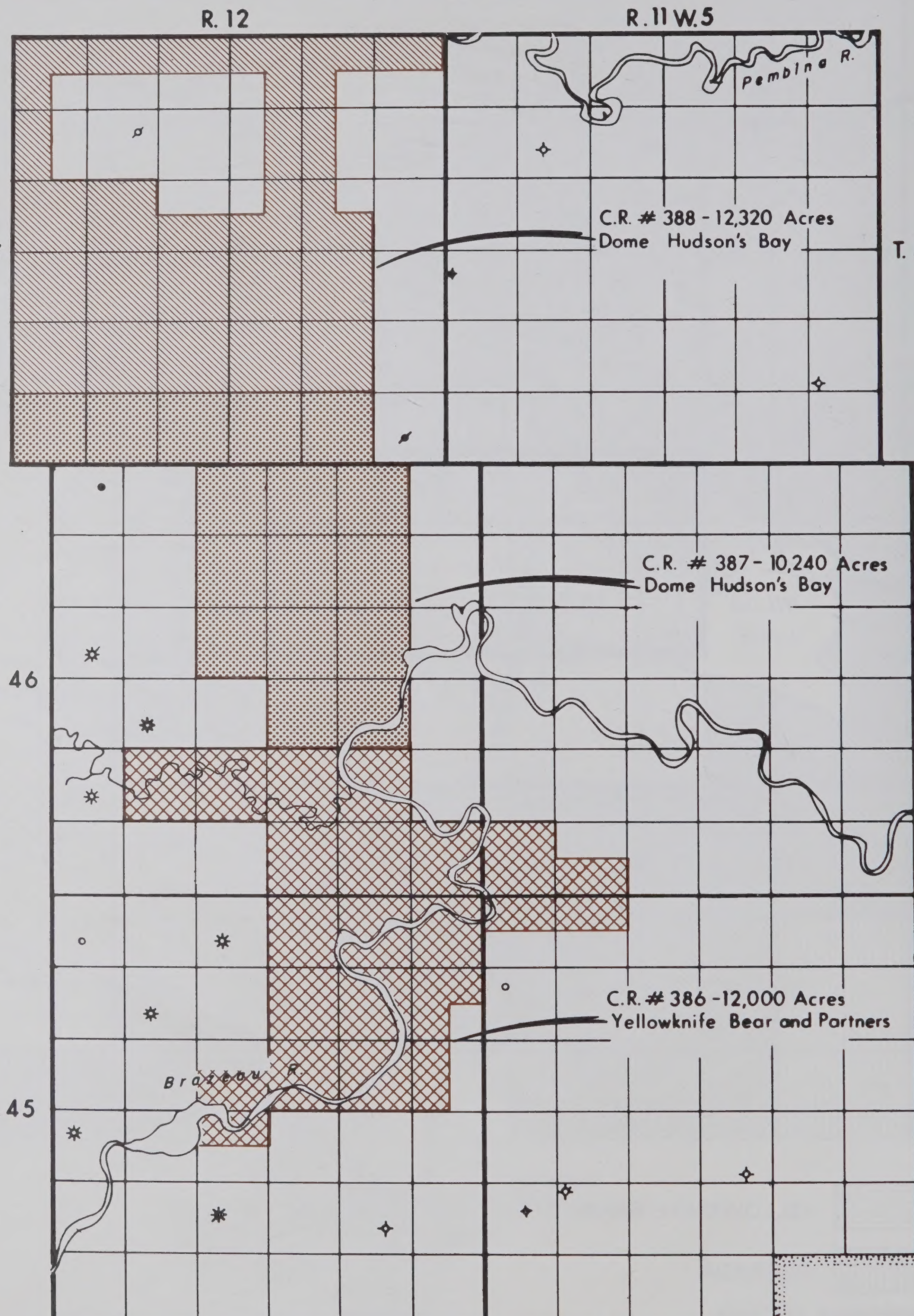
J. DOUGLAS STREIT,
President.

Toronto, Ontario.
August 29th, 1977.


MAP #1
A. G. T. L.
LINE
1.5 MILE
EXTENSION
5.5 MILE
LOOP
CITY OF
MEDICINE HAT
GREAT BASINS
LATERAL LINE
DUNMORE
LINE
LEGEND
Pembina/Midcon
Telstar
Bow Valley
Ashland
J. S. E.
Great Basins
TELSTAR
TIE-IN
MURRAY LAKE
LICENCE
BOW VALLEY OWNED
6" LATERAL LINE
PEIGAN CREEK
LICENCE
ETZIKOM
COMPRESSOR STN.
GATHERING
FACILITIES
MAP 1
SOUTH ALBERTA
PIPE LINES LTD.
PIPE LINE SYSTEM
FEB. 1977


Imperial
Test
Project
ETHEL
LAKE
Yellowknife Bear
Test Project
HILDA
LAKE
Cold Lake
Indian Reserve
No. 1498
YELLOWKNIFE BEAR
AMERADA
NORCEN
NORTHWESTERN REFINING-McWOOD CORPORATION
IMPERIAL OIL
MOBIL OIL
TRIAD-BP

MAP 2



MAP 3

BRAZEAU RIVER REGION OF CENTRAL WEST ALBERTA

JOHNSON, RICKARD & CO.
Chartered Accountants
TORONTO, CANADA

AUDITORS' REPORT

To the Shareholders of
YELLOWKNIFE BEAR MINES LIMITED:

We have examined the consolidated balance sheet of Yellowknife Bear Mines Limited as at June 30, 1977, and the consolidated statements of earnings, retained earnings and changes in financial position and the schedule of marketable securities for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditor who has examined the financial statement of the subsidiary.

The recovery of the costs incurred on properties under development is dependent upon various development projects, the success of which cannot be forecast at this time.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at June 30, 1977, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

JOHNSON, RICKARD & CO.
Chartered Accountants.

Toronto, Ontario.
July 29, 1977.

YELLOWKNIFE BEAR MINES LIMITED

(Incorporated under the Laws of the Province of Ontario)

Consolidated Balance Sheet as at June 30, 1977

ASSETS

	1977	1976
Current		
Cash and interest bearing term deposits	$ 852,904	$ 1,257,035
Sundry receivable	206,964	206,062
	1,059,868	1,463,097
Investments		
Marketable securities, at cost (quoted market value $8,136,471) (1976 - $7,134,898)	4,801,050	4,987,047
Equity in shares and debentures of South Alberta Pipe Lines Limited	510,745	366,102
Other companies, at cost less valuation adjustments (Note 2)	51,292	36,149
	5,363,087	5,389,298
Interest in Oil and Natural Gas Properties		
Less accumulated amortization and depreciation	6,073,837	5,144,849
Other Assets	9,006	9,173
	$12,505,798	$12,006,417

LIABILITIES

	1977	1976
Current		
Bank Loan	$ 25,000	$ —
Accounts payable and accrued liabilities	93,946	62,603
Income taxes payable (Note 3)	570	56,985
	119,516	119,588
Deferred Income Taxes (Note 3)	427,000	185,250
Minority Interest	774,905	650,438
	1,321,421	955,276

SHAREHOLDERS' EQUITY

	1977	1976
Capital Stock		
Authorized		
5,000,000 shares, no par value		
Issued		
4,814,041	4,814,041	4,814,041
Retained Earnings	6,695,233	6,561,997
	11,509,274	11,376,038
Deduct—Company's pro rata interest in its shares held by subsidiary companies	324,897	324,897
	11,184,377	11,051,141
	$12,505,798	$12,006,417

APPROVED BY THE BOARD

J. DOUGLAS STREIT, Director
W. E. REARDEN, Director

YELLOWKNIFE BEAR MINES LIMITED

Consolidated Statement of Retained Earnings
For the Year Ended—June 30, 1977

		1977	1976
Balance—Beginning of Year		$6,561,997	$7,221,489
Add: Net income for the year		471,350	—
Recovery of dividends paid in prior years		39,341	—
		7,072,688	7,221,489
Deduct: Net loss for the year		—	281,976
Dividends paid	$385,123		
Less: Adjustment on consolidation	7,668	377,455	377,516
		377,455	659,492
Balance—End of Year		$6,695,233	$6,561,997

YELLOWKNIFE BEAR MINES LIMITED

Consolidated Statement of Earnings
For the Year Ended—June 30, 1977

	1977	1976
Income		
Participation in Oil Revenue after deducting royalties and production expenses	$1,176,276	$866,097
Deduct—Oil and gas exploration expenses	219,444	236,697
	956,832	629,400
Deduct—Depreciation and amortization (Note 1(c))	165,787	78,990
	791,045	550,410
Equity in Income of South Alberta Pipe Lines Limited	1,873	1,500
Exploration and Development Expenses—Mining	(1,938)	(95,019)
Investment Income		
Dividends received from Canadian Corporations	94,235	113,623
Dividends received from Foreign Corporations	34,433	36,784
Interest earned	117,527	113,020
Profit on foreign exchange	3,295	916
Capital gain (loss) on sale of investments	84,904	(518,203)
	334,394	(253,860)
General and Administrative Expenses (Note 5)	(301,706)	(268,783)
Abandoned Wells	(51,380)	—
Earnings (Loss) Before Income Taxes, Minority Interest and Extraordinary Items	772,288	(65,752)
Current income taxes (Note 3)	108,264	48,985
Deferred income taxes (Note 3)	241,750	114,250
Minority interest in income of subsidiaries	65,924	52,989
	415,938	216,224
Earnings (Loss) Before Extraordinary Item	356,350	(281,976)
Extraordinary item		
Recovery of income taxes due to application of prior years' exploration costs and losses	115,000	—
Net Earnings (Loss) for the Year	$ 471,350	($281,976)
Earnings Per Share		
Income (loss) before extraordinary item	7.4¢	(5.8¢)
Net income (loss)	9.8¢	(5.8¢)

YELLOWKNIFE BEAR MINES LIMITED

Consolidated Statement of Changes in Financial Position
For the Year Ended—June 30, 1977

	1977	1976
Source of Funds		
Operations		
Net income for the year	$ 471,350	$ —
Add—Charges to operations not affecting working capital	606,016	—
	1,077,366	—
Sale of investments (cost value)	223,090	2,020,271
Cash advances	—	6,572
Refund of dividends	39,341	—
	1,339,797	2,026,843
Application of Funds		
Operations		
Net loss for the year	—	281,976
Deduct—Charges and credits to operations not affecting working capital	—	240,768
	—	41,208
Cash advances	10,000	—
Dividends declared and paid	377,455	377,516
Purchase of investments	37,093	167,763
Purchase of interest in oil and natural gas properties	1,318,250	812,826
Purchase of shares in Midcon Oil & Gas Limited less working capital arising from consolidation	156	702,614
	1,742,954	2,101,927
Decrease in Working Capital	403,175	75,084
Working capital—beginning of year	1,343,509	1,418,593
Working Capital—End of Year	$ 940,352	$1,343,509

YELLOWKNIFE BEAR MINES LIMITED
CONSOLIDATED SCHEDULE OF MARKETABLE SECURITIES
As At June 30, 1977

	Balance, June 30,1977		
	No. of Shares	Cost	Market Value
Alcan Aluminum Ltd.	10,000	$ 236,026	$ 288,750
Alminex Ltd.	167,700	393,156	1,488,338
Atlas Yellowknife Mines Ltd. (566,250 Escrowed)	1,000,000	50,000	23,856
Canadian Pacific Railway Co., 4% pfd.	15,000	153,878	110,625
Continental Oil Co.	2,000	72,530	71,781
Dome Petroleum Limited	13,000	95,617	126,750
Dome Petroleum Limited - Options (Note 7)	—	37,093	67,500
Falconbridge Copper Mines Ltd.	10,000	91,265	57,500
Falconbridge Nickel Mines Ltd.	2,000	170,007	67,750
G.D.V. Corporation (Formerly General Development Corp.)	552,040	1,434,375	3,436,207
General Electric Company	2,600	106,753	155,641
G.M. Resources Limited (Formerly Giant Mascot Mines Limited)	15,000	147,679	51,750
Gulf Oil of Canada Limited	8,000	142,090	217,000
Halliburton Company	1,200	66,550	84,866
Imperial Oil Limited "A"	5,000	143,319	107,500
Kawecki Berylco Industries	15,009	303,164	318,041
J. Ray McDermott & Co.	6,000	253,908	366,322
Newmont Mining Corporation Series A convertible $4.50 pfd.	4,250	412,756	327,584
Pan Canadian Petroleum Limited	15,000	233,045	438,750
Shell Canada Limited "A"	15,000	173,304	219,375
Standard Oil of California	2,500	84,534	110,585
		$4,801,049	$8,136,471

Notes to the Consolidated Financial Statements For the Year Ended—June 30, 1977

NOTE 1: **ACCOUNTING POLICIES**

(a) **Basis of Consolidation**

The accompanying financial statements consolidate the accounts of the company and its subsidiary Midcon Oil & Gas Limited.

(b) **Investments**

Marketable securities are carried at cost. Investments in other companies are carried at cost, less write-down for declines in market values where appropriate.

The 50% investment in South Alberta Pipe Lines Ltd., is owned by Midcon Oil & Gas Limited and is carried on the equity basis.

Prior to April 1, 1976 South Alberta Pipe Lines Ltd. calculated depreciation of fixed assets on the straight line method based upon estimated useful life of the assets. Effective April 1, 1976 depreciation on the transmission facilities has been restated so that the net book value at April 1, 1976 has been increased by $820,000 to reflect the remaining useful life of the transmission facilities based on a determination, as at that date, of the original reserves to which the transmission facilities provide service, adjusted for production to April 1, 1976. The company's share of this adjustment, after providing for minority interests, amounted to $172,250 and is reflected as an adjustment of the carrying value of Oil and Natural Gas Properties. If this change in accounting had not been made, it is estimated our share of the income of South Alberta Pipe Lines Ltd. would have been reduced by approximately $10,500.

(c) **Oil and Natural Gas Properties**

The company records as an expense all exploration expenses until such time as it is decided to drill. All costs incurred subsequent to commencement of the drilling are capitalized as oil well development and equipment costs. Leases and well costs. Leases and well costs are carried at cost and are written off when the leases are abandoned or when the leases are not considered to have a value equivalent to their cost.

The cost of productive leases and related development and equipment costs are amortized over the period of expected productivity.

NOTE 2: **INVESTMENT IN OTHER COMPANIES**

Shares	**Cost**	**Allowance for Decline in Value**	**Carrying Value**
Rich Group Yellowknife Mines Limited	$ 41,870	$ 17.095	$ 24,775
Yellorex Mines Limited	115,200	104,700	10,500
Sundry advances and other investments	16,017	—	16,017
	$173,087	$121,795	$ 51,292

NOTE 3: INCOME TAXES

The provision for current and deferred income taxes arises from the consolidated operations of Midcon Oil & Gas Limited.

No provision was required for income taxes on the operating results of Yellowknife Bear Mines Limited due to the following:

(a) Dividends from Canadian Corporations and equity in the income of Midcon Oil & Gas Limited are not taxable income.

(b) Exploration, development and lease costs are added to the accumulated development and lease costs allowable under Section 66 of the Income Tax Act and sufficient accumulated costs are claimed to eliminate taxable income. At the year end, book value of development and lease costs were less than the total expenses available under Section 66 which may be applied against future taxable income.

NOTE 4: STATUTORY INFORMATION

The aggregate remuneration paid to directors and senior officers amounted to $94,225 (1976 - $76,450).

NOTE 5: General and administrative expenses include the following:

	1977	1976
Directors' fees	$ 28,750	$ 14,200
General and office	33,406	22,928
Interest	—	14,483
Legal and audit	27,482	35,587
Rent and office services	24,480	26,211
Salaries — management and office	128,491	110,544
Shareholders' reports and expenses	29,311	17,026
Transfer and registrar expense	29,786	27,804
	$301,706	$268,783

NOTE 6: CONTINGENT LIABILITY

During the year the company's transfer agent refunded all unclaimed dividends declared prior to June 30, 1975. The company is required to pay unclaimed dividends providing the claim is made within six years of the date of declaration. No provision has been made for the potential liability to pay these dividends.

NOTE 7: The Company purchased options, expiring October 21, 1977, to acquire 18,000 shares of Dome Petroleum Limited at $45 per share.